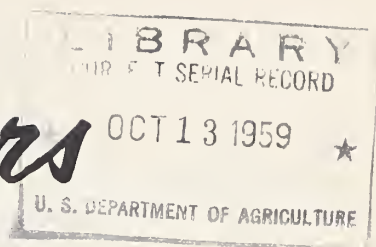


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Milk Distributors



Sales and Costs

January - March 1958

MILK DISTRIBUTORS' SALES AND COSTS

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:
: This report is the current issue of a series based upon :
: information obtained from distributors of fluid milk and :
: cream products. These distributors are subscribers to a :
: cost comparison service which furnished the Department with :
: tabular data for analyses. A uniform accounting system is :
: used and information is given on standardized forms. Data :
: reported include: Costs and quantities of raw milk and :
: other raw materials; prices and quantities of products sold; :
: and operating costs. :
: :
: The firms selected are privately owned, moderate in size, :
: and chiefly single-plant firms. In these characteristics, :
: they are considered to be typical. Very small firms, na- :
: tional chains, and producer-distributors are not included. :
: :
: All major geographic areas of the country are represented. :
:

Milk distributors' sales value of dairy products--the net amount received from sales after returns, allowances, and discounts--was \$11.01 for each 100 pounds of milk and cream processed in the January-March quarter 1958. This was a decline of 35 cents per 100 pounds from the preceding quarter, somewhat more than a seasonal drop.

The cost to distributors of the raw milk and cream they bought during January-March was down about seasonally to \$5.22 per 100 pounds, 7 cents lower than a year earlier. The distributors' gross margin--the difference between the sales value of product and the cost of raw milk and cream and other raw materials--declined again for the sixth successive quarter, and, at \$4.97 was 20 cents below the corresponding quarter of 1957 (table 1).

Net margin, before income taxes, was at the same level in January-March 1958 as in the previous quarter.

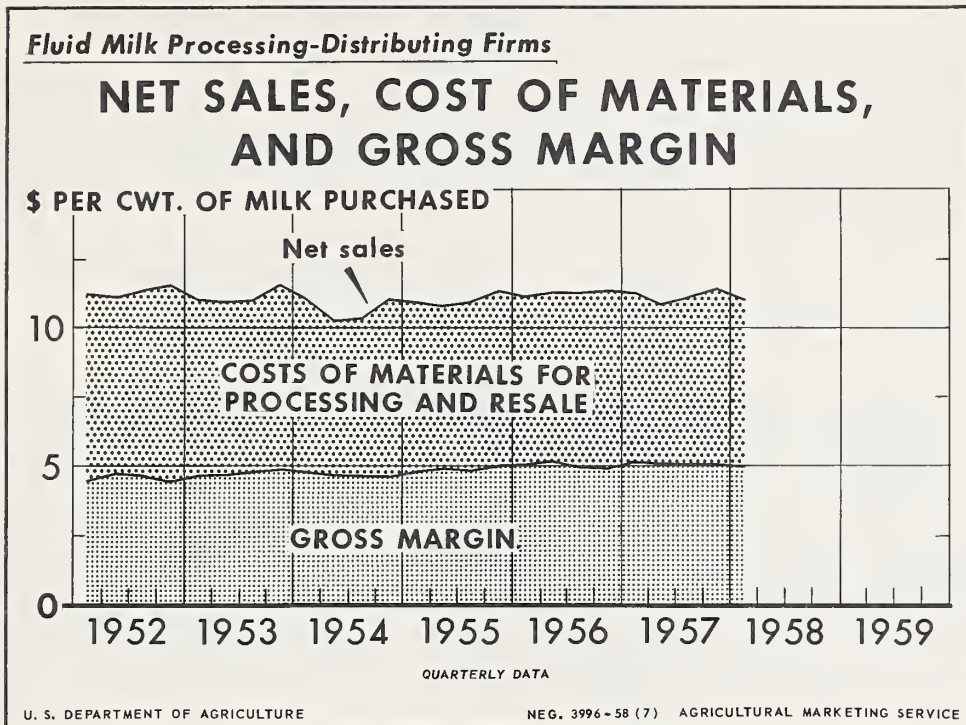


Figure 1

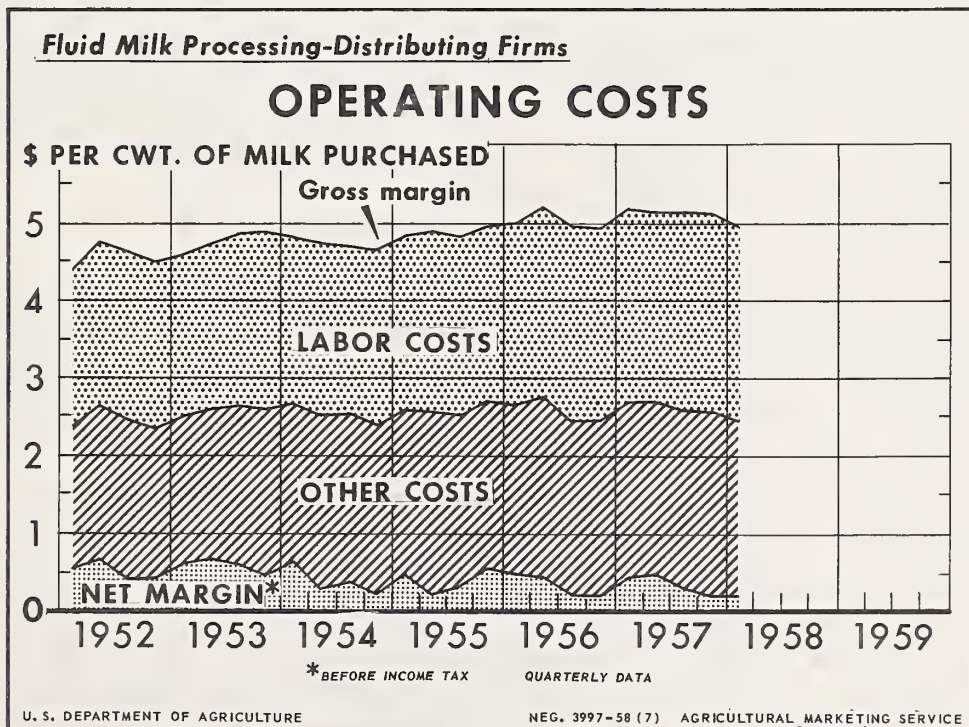


Figure 2

Table 1.--COSTS AND MARGINS FOR SELECTED DAIRY FIRMS: Per 100 pounds of milk and cream processed, for years 1952-57, and for the 5 most recent quarters

Account	1957												1958	
	1952	1953	1954	1955	1956	1957	Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.	Jan.- Mar.			
Net sales.....	11.32	11.12	10.69	10.95	11.22	11.15	11.29	10.85	11.10	11.36	11.01			
Cost of raw materials:														
Raw milk and cream...	5.85	5.43	5.07	5.12	5.30	5.14	5.29	4.82	5.09	5.39	5.22			
Other.....	.86	.90	.86	.94	.88	.87	.83	.88	.89	.86	.82			
Total.....	6.71	6.33	5.94	6.05	6.18	6.01	6.12	5.70	5.98	6.25	6.04			
Gross margin.....	4.61	4.79	4.75	4.91	5.04	5.14	5.17	5.15	5.12	5.11	4.97			
Operating cost:														
Salaries, wages, and commissions 1/.....	2.15	2.19	2.21	2.28	2.43	2.50	2.48	2.45	2.53	2.53	2.51			
Containers.....	.60	.62	.65	.70	.72	.71	.73	.68	.70	.72	.70			
Operating supplies.....	.30	.32	.35	.32	.28	.29	.29	.29	.29	.30	.30			
Repairs, rent, and depreciation.....	.50	.52	.57	.60	.64	.67	.66	.66	.68	.68	.66			
Taxes.....	.06	.06	.06	.06	.05	.06	.05	.05	.06	.06	.06			
Insurance.....	.02	.02	.03	.04	.04	.04	.04	.04	.04	.04	.04			
Services.....	.16	.19	.19	.18	.17	.17	.15	.17	.20	.17	.15			
Advertising.....	.15	.15	.16	.18	.19	.18	.18	.19	.15	.19	.17			
General.....	.15	.13	.13	.14	.16	.15	.15	.14	.15	.18	.15			
Total.....	4.09	4.20	4.35	4.50	4.68	4.77	4.73	4.67	4.80	4.87	4.73			
Net margin 2/.....	.52	.59	.40	.40	.36	.37	.44	.48	.32	.24	.24			
Firms reporting.....	43	51	75	83	80	80	80	80	80	80	80			

¹/ Includes State unemployment, Federal old age, workmen's compensation, and employee benefits.
²/ Net returns to owners before income taxes.

SALES VALUE MOVING LOWER

Distributors' sales value of product appears to be moving downward. For the past 4 quarters, sales value has been below the comparable quarters of a year earlier; the \$11.01 for the January-March quarter of 1958 was below the same quarter for 1957 and 1956. It is probable that a major part of this decline has resulted from shifts toward larger containers and a higher proportion of wholesale sales.

LITTLE CHANGE IN RAW MILK AND CREAM COSTS

Costs of goods sold--the amount paid by distributors for raw milk and cream and other raw materials--in the first quarter of 1958 declined about seasonally; the decline was \$0.21 per 100 pounds from the previous quarter as compared with declines of \$0.25 and \$0.19 between comparable quarters 1 year and 2 years earlier, respectively. At \$6.04, the cost of goods sold in the first quarter of 1958 was about the same as in the corresponding quarters in 1957 and 1956. During the past 10 quarters, costs of raw milk and cream and other raw materials have both been stable except for seasonal variations. For instance, raw milk and cream costs were \$5.22 per 100 pounds in the January-March period, compared with \$5.29 in the comparable period of 1957 and with \$5.27 in 1956.

Cost of goods sold was 54.8 percent of the sales value of product, down 0.3 percentage point from the previous quarter and the same as 2 years earlier. This marks the first time since 1952 that cost of goods sold, as a percentage of sales value, has not declined on a year-to-year basis. Gross margin, at \$4.97 per 100 pounds, declined \$0.14 from the previous quarter and was at the lowest level since October-December 1956. As a percentage of sales value, gross margin was below a year earlier.

OPERATING COSTS ARE STABLE

Operating costs in January-March, at \$4.73 per 100 pounds of milk and cream processed, were the same as a year earlier. For the past 8 quarters, there have been only minor variations in operating costs--and these have resulted from seasonal factors. During 6 of these 8 quarters, variations from the average of \$4.75 have been less than 1 percent.

The leveling out in operating costs has occurred in all cost categories. Personnel costs in the first quarter of 1958, at \$2.51 per 100 pounds of milk and cream processed, were up only \$0.03 from a year earlier, compared with average year-to-year increases of \$0.08 from 1952 through 1957. The increase in personnel costs was offset by a decrease of the same amount in container costs, which have shown only minor changes for the past 8 quarters. Operating supplies have varied only between \$0.28 and \$0.30 and were the same in the first quarter of 1958 as in the last quarter of 1957. Repairs, rent, and

depreciation costs, which in recent years have increased steadily by 5 percent each year, were unchanged from a year earlier. Other operating costs, while down seasonally, were the same as a year earlier.

Net margin, the remainder for payment of income taxes and return on invested capital, was \$0.24 per 100 pounds of milk and cream processed, the same as in the previous quarter. The decline of \$0.14 per 100 pounds in gross margin was offset by the same amount of decline in operating costs. The net margin for January-March 1958 was the lowest for a first quarter of any year since this series of data began in 1952. It also moved contrary to the general seasonal pattern which, in past years, has increased in the first quarter. Net margin, before income taxes, was 2.3 percent of the sales value of products.

SALES OF HOMOGENIZED MILK

Homogenized milk alone accounts for nearly 70 percent of the total products sold by milk distributors. Also, almost two-fifths of the homogenized milk is sold in half-gallon paper cartons, as found in an analysis of sales of homogenized milk by 80 representative firms during the October-December quarter, 1957 (table 2). Sales in 1-quart glass bottles were second in importance, accounting for about

Table 2.--SALES OF HOMOGENIZED MILK: Percent of total quantity of milk by type and size of container; quart equivalent selling price October-December, 1957

Container size and type	:	Retail	:	Wholesale	:	Other	:	Total	:	Quart equivalent price
	:	Percent	:	Percent	:	Percent	:	Percent	:	Cents
Bulk (gallon).....	:	---	:	.8	:	.1	:	.9	:	19
Dispenser (5 gallon):	:	---	:	2.7	:	.6	:	3.3	:	20
Dispenser (3 gallon):	:	---	:	1/	:	1/	:	.1	:	22
Gallon, glass.....	:	1.0	:	.9	:	.6	:	2.5	:	19
1/2 gallon, glass...	:	8.0	:	1.1	:	.7	:	9.8	:	21
1/2 gallon, paper...	:	8.5	:	25.6	:	4.2	:	38.5	:	21
Quart, glass.....	:	18.6	:	1.2	:	1.0	:	20.8	:	24
Quart, paper.....	:	3.7	:	9.1	:	1.4	:	14.2	:	23
Pint, glass.....	:	1/	:	1/	:	1/	:	.1	:	24
Pint, paper.....	:	1/	:	.7	:	.1	:	.8	:	24
1/3 quart.....	:	1/	:	.2	:	.1	:	.3	:	24
1/2 pint, glass.....	:	1/	:	2.1	:	.7	:	2.8	:	25
1/2 pint, paper.....	:	1/	:	5.3	:	.7	:	6.0	:	26
Total	:	39.8	:	49.8	:	10.4	:	100.0	:	22

1/ Less than .05 percent.

one-fifth of the total. Other more important sizes were the 1-quart paper cartons and the half-gallon glass bottles, which were about 14 percent and 10 percent of the total, respectively. The half-pint paper carton constituted 6 percent of all sales, and was more important than all other fractional quart sizes combined.

Of all of the homogenized milk sold, 36 percent was in glass bottles of various sizes and 59 percent was in paper cartons. Forty percent of the homogenized milk was sold at retail to home-delivery customers and to dairy-owned store customers, 50 percent went to wholesale-delivery customers, and the remaining 10 percent was sold at the dairy-plant platform to subdealers, peddlers, and others.

Half-pint paper cartons were most important in terms of number of containers handled, representing nearly one-fourth of the total (table 3). Half-gallon paper cartons and 1-quart glass bottles were each about one-fifth. Of the total container units of homogenized milk sold, nearly 39 percent were glass bottles and 60 percent were paper cartons. About 32 percent of the containers were used for delivery to homes or in dairy-owned stores, 57 percent were used for wholesale-delivery trade, and the remaining 11 percent for platform customers.

The equivalent price of 1 quart is a commonly used measure for comparing prices of milk sold in different sizes and types of containers. Milk distributors received an average price of 22 cents per quart equivalent of homogenized milk

Table 3.--SALES OF HOMOGENIZED MILK: Percent of total containers handled, by type and size of container, October-December, 1957

Container size and type	:	:	:	:	:
		Retail	Wholesale	Other	Total
		Percent	Percent	Percent	Percent
Bulk (gallon).....	:	---	.2	<u>1/</u>	.2
Dispenser (5 gallon).....	:	---	.7	.2	.9
Dispenser (3 gallon).....	:	---	<u>1/</u>	---	<u>1/</u>
Gallon, glass.....	:	.3	.2	.1	.6
1/2 gallon, glass.....	:	4.1	.6	.3	5.0
1/2 gallon, paper.....	:	4.3	13.0	2.2	19.5
Quart, glass.....	:	18.8	1.3	1.0	21.1
Quart, paper.....	:	3.7	9.2	1.4	14.3
Pint, glass.....	:	.1	.1	<u>1/</u>	.2
Pint, paper.....	:	<u>1/</u>	1.4	.2	1.6
1/3 quart.....	:	.1	.5	.2	.8
1/2 pint, glass.....	:	.1	8.4	2.9	11.4
1/2 pint, paper.....	:	.1	21.6	2.7	24.4
Total.....	:	31.6	57.2	11.2	100.0

1/ Less than .05 percent.

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(table 2). The quart equivalent prices ranged from 19 cents in bulk and in 1-gallon glass bottles to 26 cents in half-pint paper cartons. Data were not available for determining selling prices to different sales outlets. However, since some types and sizes of containers were used almost exclusively for particular sales outlets, some conclusions may be made on quart equivalent prices. The bulk price of 19 cents, the 5-gallon price of 20 cents, and the fractional-quart unit prices of 24 cents for 1-pint glass and 1-pint paper, 25 cents for half-pint glass, and 26 cents for half-pint paper are all wholesale prices. Since 90 percent of the 1-quart glass bottles went to home-delivery customers, the price of 24 cents must be very near the retail price. For the same reason the quart equivalent price of 21 cents for sales in half-gallons glass is very near the retail price.